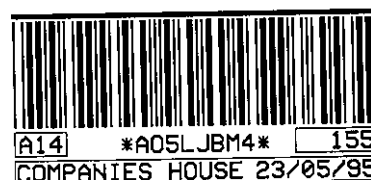


Phoenix Assurance plc

Report and Accounts 1994

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Phoenix Assurance plc

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 1 Bartholomew Lane, London EC2N 2AB, on Wednesday, 26th April, 1995 at 11.00 a.m. to transact the ordinary business of the Company.

By order of the directors

E. R. WILLS

31st March, 1995

Secretary

A member entitled to attend and vote at this Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.

Directors

R. J. Taylor, *Chairman*

T. A. Hayes

T. S. Nelson

R. Petty

P. G. Taylor

R. H. W. Winch

Secretary

E. R. Wills, F.C.I.L.

Actuary

R. A. J. Skillin, B.A., M.Sc., F.I.A.

Registered office

1 Bartholomew Lane, London EC2N 2AB

Directors' report for the year ended 31st December, 1994

Activities

The principal activity of the Company and its subsidiaries is the transaction of general and long-term insurance business in the United Kingdom and overseas.

Profit and loss account

The profit of the Company for the year and the appropriations are shown in the profit and loss account on page 8.

Dividend

The directors recommend for payment on 3rd July, 1995 a dividend of £45,000,000.

Directors

Mr. R. H. W. Winch was appointed a director on 14th July, 1994.

The other directors whose names appear on page 2 served throughout the year.

Sir Roger Neville served until he retired on 30th June, 1994.

Mr. P. E. Croucher, Mr. M. L. Dew, Mr. P. F. Foreman, Mr. J. Rochelle and Mr. I. M. Trotter also served until they resigned on 31st July, 1994.


Mr. R. Petty retires by rotation and Mr. R. H. W. Winch retires in accordance with the Company's Articles of Association and, being eligible, will be proposed for re-election.

28th February, 1995

By order of the directors

E. R. WILLS

Secretary



Phoenix Assurance plc

Directors' Responsibilities for Accounts

The directors are required by UK company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period, subject to statutory exemptions applicable to insurance companies.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31st December, 1994. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on the going concern basis.

The directors have responsibility for ensuring that the Company keeps proper accounting records. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors' report

Report of the auditors to the members of Phoenix Assurance plc

We have audited the accounts on pages 5 to 13.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.


COOPERS & LYBRAND
Chartered Accountants
and Registered Auditors

London
28th February, 1995

Accounting policies

The principal accounting policies of the Company as set out below comply with U.K. accounting standards to the extent that they are applicable to insurance companies. Reinsurance balances have been grossed up on the face of the balance sheet to reflect the requirements of Financial Reporting Standard 5 regarding offset. Advantage has been taken of the transitional provision within Financial Reporting Standard 5 which permits the offset of balances arising from insurance broking transactions. No geographical segmental information, as required by SSAP 25, is given as all business is sourced in the United Kingdom.

(a) Group accounts

The Company is a wholly-owned subsidiary of a U.K. holding company and, in accordance with section 228 of the Companies Act 1985, consolidated accounts have not been prepared. The accounts of the Company and its subsidiaries are included in the accounts of the Company's immediate parent company, Sun Alliance Life Limited, which is registered in England and Wales.

The interests of the Company in its subsidiaries are shown at net asset value with the movement in the year taken to revaluation reserve.

(b) Exchange

Assets and liabilities in foreign currencies and overseas revenue transactions are translated into sterling at rates of exchange ruling at the year-end. In the case of general insurance business the resulting exchange adjustments, including the differences arising from the translation of the insurance funds at the beginning of the year at year-end rates, and gains and losses on the conversion of remittances, are transferred to the intermediate parent company.

(c) General insurance business

(i) Underwriting results

The underwriting results of general insurance business are determined on an annual basis. Premiums written are accounted for in the year in which the risks are assumed. The unearned proportions of the premiums and the commission and other acquisition costs incurred in writing the business relating to periods of risk extending beyond the end of the financial year are deferred to subsequent accounting periods. Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring in the year and adjustments to prior years' claims provisions.

(ii) Insurance funds

Unearned premiums are calculated on a time apportionment basis.

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date, whether reported or not. In the case of an excess of loss reinsurance agreement made with The Chubb Corporation in 1985 the claims provision has been discounted at the average interest rate applicable to the investment funds specifically held to meet the liability.

Insurance funds include provisions, as necessary, for any estimated future losses relating to unexpired risks at the balance sheet date, after taking account of future investment income on all insurance funds.

(d) Long-term insurance business

The profits on long-term insurance business are determined annually by actuarial valuation. The shareholders' proportion of these profits is grossed up in the profit and loss account by the estimated tax in the long-term insurance funds attributable to such profits.

Phoenix Assurance plc

Accounting policies *continued*

(e) Investment income

Interest and dividends on investments other than ordinary shares are included on an accruals basis. Investment income is grossed up to include the related tax credits on dividend income and is shown after deduction of interest payable and investment management expenses.

(f) Taxation

Taxation in the profit and loss account is based on the profits and income of the year and includes deferred taxation on timing differences other than those considered likely to continue into the foreseeable future.

The taxation charge in the long-term insurance revenue account is based on the income and realised investment profits less losses of the year, less reliefs.

Provision for deferred taxation on unrealised appreciation of investments is made only where realisations giving rise to a taxation liability are anticipated in the foreseeable future, except in the case of linked life investments where a provision for the potential tax liability is made.

(g) Investments

Investments are stated in the balance sheets at market values comprising stock exchange values for listed securities, open market valuations by the Group's qualified surveyors for properties and directors' valuations for other investments.

The difference between market values and book values of general fund investments is taken to revaluation reserve. Profits and losses on the realisation of general fund investments, less taxation, are taken to retained profits.

In the long-term insurance accounts unrealised appreciation and profits and losses on the realisation of investments are dealt with in the revenue account and included in long-term insurance funds.

Revenue accounts

for the year ended 31st December, 1994

	Notes	1994 £m	1993 £m
General insurance			
Premiums written less reinsurance		14.2	16.7
Premiums earned		<u>15.3</u>	<u>19.6</u>
less:			
Claims incurred	3	3.9	6.6
Commission		4.0	4.0
Expenses		1.4	1.2
		<u>9.3</u>	<u>11.8</u>
Underwriting result		<u>6.0</u>	<u>7.8</u>
<hr/>			
Long-term insurance			
Premiums less reinsurance	4	148.1	142.5
Investment income		77.0	74.0
Realised and unrealised (depreciation) appreciation on investments		(120.6)	145.2
Portfolio transfer	4	136.4	..
		<u>240.9</u>	<u>361.7</u>
less:			
Claims and surrenders	4	99.8	82.1
Annuities		16.4	15.4
Commission		15.5	17.6
Expenses		38.7	31.1
Taxation	7	14.1	6.1
Transfer to profit and loss account		29.0	20.0
		<u>213.5</u>	<u>172.3</u>
Increase in funds		<u>27.4</u>	<u>189.4</u>

Phoenix Assurance plc

Profit and loss account

for the year ended 31st December, 1994

	Notes	1994	1993
		£m	£m
General insurance underwriting result		6.0	7.8
Long-term insurance profits	5	41.4	28.6
Investment income		10.2	10.8
Profit before taxation		57.6	47.2
Taxation	7	18.0	14.7
Profit after taxation		39.6	32.5
Dividend		45.0	33.0
Retained profits transfer		(5.4)	(0.5)

Statement of total recognised gains and losses

for the year ended 31st December, 1994

		1994	1993
		£m	£m
Profit attributable to shareholders		39.6	32.5
Realised investment profits less losses, after taxation	8	0.1	1.4
Unrealised (depreciation) appreciation of investments	8	(13.5)	7.0
Total recognised gains		26.2	40.9

Reconciliation of movements in shareholders' funds

for the year ended 31st December, 1994

	1994	1993
	£m	£m
Shareholders' funds at 1st January	169.7	161.8
Total recognised gains	26.2	40.9
Dividend	(45.0)	(33.0)
Shareholders' funds at 31st December	150.9	169.7

Long-term insurance balance sheet

at 31st December, 1994

	Notes	1994 £m	1993 £m
Long-term insurance funds			
including reserves		1,327.1	1,299.7
Other liabilities including provisions			
Outstanding claims		9.5	12.0
Sundry creditors		46.9	40.5
Bank overdrafts		2.9	0.7
Due to subsidiaries		2.8	2.8
Due to fellow subsidiaries		0.1	2.2
Due to general fund		27.6	18.6
		<u>1,416.9</u>	<u>1,376.5</u>
Investments			
British Government and municipal securities		379.6	360.6
Overseas government and municipal securities		7.3	11.5
Debentures		131.5	123.9
Preference stocks and shares		2.9	2.6
Ordinary stocks and shares		652.5	640.8
Property		82.9	82.7
Mortgages and loans		6.4	7.3
Deposits at interest		69.4	65.9
Shares in subsidiaries	9	8.3	8.3
		<u>1,340.8</u>	<u>1,303.6</u>
Other assets			
Debtors		69.0	71.8
Due from fellow subsidiaries		6.9	1.0
Bank balances and cash		0.2	0.1
		<u>1,416.9</u>	<u>1,376.5</u>

This balance sheet forms part of the balance sheet appearing on page 10.

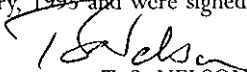
Phoenix Assurance plc

Balance sheet

at 31st December, 1994

	Notes	1994 £m	1993 £m
Share capital	6	15.9	15.9
Reserves			
Share premium		46.5	46.5
Retained profits	8	48.7	54.0
Revaluation reserve	8	39.8	53.3
		<hr/>	<hr/>
Equity shareholders' funds		150.9	169.7
Insurance funds including provisions			
Unearned premiums		2.9	4.8
Outstanding claims		154.2	171.8
		<hr/>	<hr/>
		157.1	176.6
Other liabilities including provisions			
Sundry creditors		14.9	4.8
Due to parent company		73.7	42.7
Due to fellow subsidiaries		—	0.9
Due to subsidiary		3.8	3.8
Proposed dividend		45.0	30.0
		<hr/>	<hr/>
		445.4	428.5
Long-term insurance accounts (see separate balance sheet on page 9)		1,416.9	1,376.5
		<hr/>	<hr/>
		1,862.3	1,805.0
Investments			
British Government and municipal securities		93.9	107.8
Overseas government and municipal securities		83.2	88.9
Debentures		80.4	84.4
Ordinary stocks and shares		7.8	5.5
Property		0.9	3.2
Mortgages and loans		0.1	0.1
Deposits at interest		12.9	5.9
Shares in subsidiary	9	4.9	4.8
		<hr/>	<hr/>
		284.1	300.6
Reinsurers' share of insurance funds			
Unearned premiums		0.1	0.1
Outstanding claims		2.0	1.7
		<hr/>	<hr/>
		2.1	1.8
Other assets			
Deferred acquisition costs		0.9	1.0
Agents' balances and debtors		10.1	22.2
Due from parent companies		120.6	82.2
Due from long-term insurance fund		27.6	18.6
Bank balances and cash		—	2.1
		<hr/>	<hr/>
		445.4	428.5
Long-term insurance accounts (see separate balance sheet on page 9)		1,416.9	1,376.5
		<hr/>	<hr/>
		1,862.3	1,805.0

The accounts on pages 5 to 13 were approved by the directors on 28th February, 1995 and were signed on their behalf by:—


T. S. NELSON, Director

Notes on the accounts

1. Accounting and disclosure requirements

These accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to insurance companies.

The Company has entered into mutual guarantees with Sun Alliance and London Insurance plc and certain of its U.K. insurance subsidiaries for the payment of general insurance business liabilities.

2. Pension costs

The majority of staff in the U.K. are employed by Sun Alliance and London Insurance plc and are members of a defined benefits pension scheme, details of which are disclosed in the accounts of Sun Alliance Group plc.

3. Claims incurred

Claims incurred include a net credit of £5.1m (1993 £5.3m) in respect of the income less claims arising on the excess of loss reinsurance agreement with Chubb Corporation.

4. Long-term insurance business

During the year, in addition to the portfolio transfer of certain retirement benefit insurances separately reported in the long-term revenue account, net premiums of £32.0m (1993 £39.2m) were received from and claims of £11.2m (1993 £1.4m) were paid to group companies under reinsurance agreements.

5. Long-term insurance profits

The amount included in the profit and loss account for the shareholders' proportion of long-term insurance profits is made up as follows:—

	1994 £m	1993 £m
Transfer from revenue account	29.0	20.0
Related taxation	12.4	8.6
	<u>41.4</u>	<u>28.6</u>

6. Share capital

	1994 £m	1993 £m
Authorised: 474,480,450 ordinary shares of 1p each	4.7	4.7
61,020,782 deferred shares of 25p each	15.3	15.3
	<u>20.0</u>	<u>20.0</u>
Issued and fully paid: 61,020,782 ordinary shares of 1p each	0.6	0.6
61,020,782 deferred shares of 25p each	15.3	15.3
	<u>15.9</u>	<u>15.9</u>

7. Taxation

The charges for taxation comprise:—

	Profit and loss account		Long-term insurance revenue account	
	1994 £m	1993 £m	1994 £m	1993 £m
United Kingdom taxation				
Corporation tax	5.6	6.1	9.9	4.2
Taxation attributable to U.K. dividend income and to the long-term insurance transfer	12.4	8.6	4.1	2.3
Deferred taxation	—	—	—	(0.5)
	<u>18.0</u>	<u>14.7</u>	<u>14.0</u>	<u>6.0</u>
Less: Double taxation relief	—	0.1	—	—
	<u>18.0</u>	<u>14.6</u>	<u>14.0</u>	<u>6.0</u>
Overseas taxation on profits	—	0.1	0.1	0.1
	<u>18.0</u>	<u>14.7</u>	<u>14.1</u>	<u>6.1</u>

Phoenix Assurance plc

Notes on the accounts *continued*

7. Taxation *continued*

U.K. corporation tax in the profit and loss account has been calculated at 33% (1993 33%).

Under an agreement with the Inland Revenue the United Kingdom corporation tax liabilities of the Company attributable to general insurance business have been aggregated with those attributable to such business of other U.K. subsidiaries of Sun Alliance and London Insurance plc and assessed in the name of that company. Accordingly, the attributable provisions for the current year's United Kingdom taxation liability are transferred to Sun Alliance and London Insurance plc.

The potential liability for deferred taxation on unrealised appreciation of investments which is not expected to be payable in the foreseeable future and for which, therefore, no provision has been made is estimated to amount to £1.7m (1993 £5.9m) on general fund investments and £54.0m (1993 £80.0m) on long-term insurance fund investments.

A provision of £11.7m (1993 £13.0m) has been made in the long-term insurance balance sheet in respect of the potential liability to tax in respect of linked life investments.

8. Reserves

Reserves and reserve movements are as follows:

	Retained profits		Revaluation reserve	
	1994	1993	1994	1993
	£m	£m	£m	£m
Balance at 1st January	54.0	53.1	53.3	46.3
Retained profit (loss) for the year	(5.4)	(0.5)	—	—
Realised investment profits less losses, after taxation	0.1	1.4	—	—
Unrealised (depreciation) appreciation of investments	—	—	(13.5)	7.0
Balance at 31st December	48.7	54.0	39.8	53.3

9. Subsidiaries

The Company's wholly-owned subsidiaries are Clearfol Investment Ltd., Property Growth Assurance Co. Ltd. and Truscotts Estate Agency Ltd., all of which are registered in England and Wales.

10. Associated companies and other participating interests

The principal investment is a 19.0% interest in Compania de Seguros La Fenix Peruana which is incorporated in Peru. The Company also has a 25% interest in Swinchan Holdings Ltd which is registered in England and Wales.

Some interests in associated companies and other participating interests in which the shareholdings of the Company exceeds 10% of their equity share capitals, have been omitted from this statement to avoid providing particulars of excessive length but none materially affects the profits or assets of the Company.

11. Directors' emoluments

No emoluments were paid or are payable to the directors in respect of 1994 or 1993.

All the directors receive remuneration from Sun Alliance and London Insurance plc as employees of that company, and it is not appropriate, because of the non-executive nature of their services, to make an apportionment of their emoluments in respect of the Company.

Aggregate pensions of former directors were:—

	1994	1993
	£	£
In respect of services as directors—		
Other pensions	18,369	18,369

12. Transactions and arrangements involving directors and officers of the Company and its parent companies.

The following loan under staff house purchase scheme repayable out of the proceeds of collaterally charged life assurance policies applied throughout 1994: Mr. A. J. Barron £24,000, on which interest was charged at between 4% and 8.1% per annum.

At 31st December, 1994 there were aggregate amounts outstanding of £16,686 in respect of one officer of the Company (other than directors) for loans under staff schemes.

Notes on the accounts *continued*

13. Auditors' remuneration

The remuneration of the auditors of the Company amounted to £32,500 (1993 £32,500). The auditors of the Company also received fees of £25,348 (1993 £24,177) in respect of non-audit services for the Company and its subsidiaries.

14. Parent companies

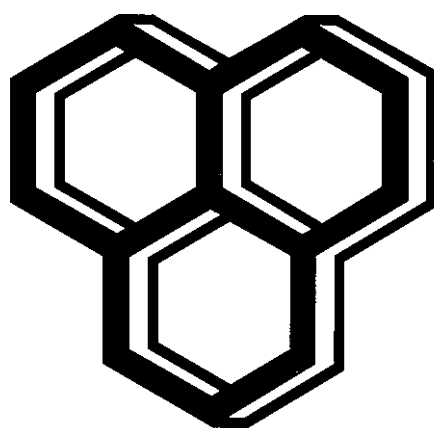
The Company's immediate parent company is Sun Alliance Life Limited which is registered in England and Wales.

The Company's ultimate parent company is Sun Alliance Group plc which is registered in England and Wales. A copy of that company's accounts can be obtained from 1 Bartholomew Lane, London EC2N 2AB.

Sun Alliance Life

LIMITED

*These accounts are to be filed with the
company records of company number 71805
(Phoenix Assurance plc) pursuant to
section 228 of the Companies Act 1985 as
amended*



Report and Accounts

1994